



UNIVERSITY OF GONDAR
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

**AUDITORS' PERCEPTION IN ADHERENCE OF PROFESSIONAL
ETHICS: A CASE OF AMHARA NATIONAL REGIONAL STATE
OFFICE OF AUDITOR GENERAL**

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Amhara National Regional State
Office of Auditor General

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ACRONYMS AND ABBREVIATIONS

ANRS Amhara National Regional State

OAG Office of the Auditor General

SAS-1 Statement on Auditing Standards Number 1

AICPA American Institute of Certified Public Accountants

ACCA Authorized and Certified Chartered Accountant

ICT Information Communication Technology

CPA Certified Public Accountants

EU European Union

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ABSTRACT

The study was conducted in Amhara National Regional State Office of Auditor General. The major objective of the study was to assess the extent to which auditors of Amhara National Regional State Office of Auditor General exercise their professional ethics in their work. Thus, the study attempted to assess the professional ethics of the auditors of ANRS OAG based on internationally accepted Code of Ethical Principles and ANRS OAG Rules of Conduct. The ANRS OAG has seven business processes but the study focused on the audit core business process. For the fulfillment of the objective 111 auditors were randomly sampled in order to respond the research questionnaire. Based on the findings of the study it was concluded that auditors of Amhara National Regional State Office of Auditor General were in a good position in exercising their professional ethics in their work. Based on the gaps observed some recommendations were suggested to improve further the professional ethics of the auditors of ANRS OAG.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The general public demand professional accountants maintain a high ethical standard in order to maintain public confidence in the accountancy profession. Ethics are the moral principles and values that govern the behavior of individuals and groups. An ethical dilemma is a situation that involves a decision about appropriate behavior. A key aspect of an ethical dilemma is that it generally affects parties that are not involved in the decision, (Whittington & Pany, 2006).

The application of ethical standards assists auditors to overcome ethical dilemmas which, allow for the right choice of professional behavior that may not only benefit the client but the public who relies on the auditors reporting. Auditors have an obligation to the clients they serve, their profession, the public, and themselves to maintain the highest standards of ethical behavior. They have a responsibility to be competent and to maintain confidentiality, integrity, and objectivity.

Amhara National Regional State Office of the Auditor General has been established in 1986 by ANRS council to undertake an independent audit, provide reliable audit information and professional advice to the regional council and related government offices. In addition, by increasing the profession competence, audit coverage and quality OAG tries to promote accountability. Organizational structure of OAG includes three core and four supportive business processes, that is Procurement & Finance Business process, the audit core business process, internal audit supportive business process, Human Resource Development supportive Business process, Public relation core business process, training & certification core business process & information communication technology (ICT) supportive business process.

This study was conducted with the aim to assess the perception of auditors in adherence of professional ethics in Amhara National Regional State office of the auditor general (ANRS OAG) because auditors professional ethics is a critical value on the performance and goodwill of the organization. Therefore, ANRS OAG can realize the current state of its auditor's professional ethics.

Thus, the study attempted to assess the perception of auditors in adherence of professional ethics of ANRS OAG based on internationally accepted Code of Ethical Principles and ANRS OAG Rules of Conduct. Depending on the findings that the researcher gets, conclusions and recommendations were forwarded.

1.2 Statement of the problem

An auditor is a professional, who is responsible for evaluating some aspects of a project, business, or individuals. Auditors often are employed for the task of determining the level of efficiency present in the activity of public bodies, the efficient use of resources associated with the organization, and the veracity of the financial records of the auditees. Along with evaluating a project or aspect of an organization, an auditor is often expected to make recommendations regarding the correction of negative conditions that currently impact an organization. Auditors are also to conduct themselves in a manner consistent with the promotion of cooperation and good relations between auditors and the auditees, (Hisham El-Moukammal, 2009).

Auditors' Code of Ethic was enacted as a guide for all audit personnel to enhance the performance and professionalism. Auditor's General report helps to improve public management efficiency and effectiveness. It is utmost important that the audits produced followed a prescribed standard based on high work code of ethics to acquire the confidence from the public.

A code of ethics is necessary and appropriate for the auditing profession. The Code of Ethics extends beyond the definition of auditing to include two essential components:

- Principles that is relevant to the profession and practice of auditing;
- The Rules of Conduct describe behavior norms expected of auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of auditors, (Hisham El-Moukammal, 2009).

So the main reason that initiated the researcher to conduct this research was that, there is no any study which is conducted in ANRS office of the auditor general as per the knowledge of the researcher. In addition the researcher, who has been working for more than 12 years as governmental external auditor at OAG, has observed some limitations on auditors to obey for the Code of Ethical Principles and Rules of Conduct of OAG. By considering these; the current study tried to assess to what extent auditors of ANRS OAG practiced their professional ethics in their audit work.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of this study was to assess the perception of auditors in adherence of professional ethics with reference to ANRS office of auditor general.

1.3.2 Specific objectives

Based on the general objective of the study the following specific objectives were developed.

1. To assess code of ethical principles of OAG.
2. To determine whether ethical principles are obey by auditors of OAG.
3. To assess the practice of auditors towards professional ethics.

1.4 Scope of the Study

The research was conducted to assess the perception of auditors in adherence of professional ethics of auditors at Amhara National Regional State (ANRS) in the case of office of the auditor general. According to the manual of ANRS OAG code of ethics, *professional code of ethics applicable to auditors* (2010), the fundamental principles by which auditors should be governed in the conduct of their professional work and relationships are: Integrity (Propriety), Independence, Objectivity/Impartiality, Professional Competence/Professional development, Confidentiality, Political Neutrality, Conflict of Interest, Reasonable Care and Constructiveness, Economy, Efficiency and Effectiveness of Operation. The population of the study was auditors who are working in the organization. The whole auditors currently working in the organization were included in the study.

1.5 Significance of the study

The result of this study is significant in various aspects. The main importance that the researcher expects is, on the basis of the findings of the study, the paper draws some conclusions and recommendations with regard to auditor's professional ethics and it helps the management of ANRS OAG in taking remedial actions.

Thus, the study helps to understand and identify the gaps on auditor's ethical behavior. It is also the researcher's belief that invaluable benefits to the concerned bodies come into sight on how far the ethical standards are fulfilled according to OAG fundamental principles and rule of conducts. The study also adds to the existing awareness regarding the status of auditors in relation to ethical standards and expected to be one more element to help the formation of opinions and to diffuse other discussions on the subject.

1.6 Limitation of the Study

Since human beings are tending to hide what they really feel from within due to different reasons, respondents might reluctant to provide their true feelings as a result conclusions of the findings might be affected. Lack of experience might affect the research work. Absence of empirical studies conducted in the context of Ethiopia is the other limitation. Additionally, the methodologies might not be suitable and enough due to the researcher's experience on research studies.

1.7 Organization of the Study

The study was organized in to five major chapters. The first chapter is introductory part which consists of background of the study, statement of the problem, objectives of the study, scope, significance of the study and limitation of the study. The second chapter contains literature review, in this section theoretical finding of previous studies related to the topic are reviewed. The third chapter includes the research design and methodology, source of data, sampling design of the study, methods of data analysis tools employed are included under this section. The fourth chapter deals with data analysis and discussion. The fifth chapter covers conclusions and possible recommendations.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 History and Meanings of Auditing

Auditors existed in ancient China and Egypt. They were supervisors of the accounts of the Chinese Emperor and the Egyptian Pharaoh. The government accounting system of the Zhao dynasty in China included an elaborate budgetary process and audits of all government departments. From the dawn of the dynastic era in Egypt (3000 BC) the scribes (accountants) were among the most esteemed in society and the scribal occupation was one of the most prestigious occupations. (Rick Hayes et al. 1999:2)

It can be said that the function of auditing is to lend credibility to the financial statements. The financial statements are the responsibility of management and the auditor's responsibility is to lend them credibility. By the audit process, the auditor enhances the usefulness and the value of the financial statements, but he also increases the credibility of other non-audited information released by management. (Rick Hayes et al. 1999:3)

2.2 Definition of Auditor's Professional ethics

Ethics represent a set of moral principles, rules of conduct, or values. Ethics apply when an individual has to make a decision from various alternatives regarding moral principles. All individuals and societies possess a sense of ethics in that they have some sort of agreement as to what right and wrong are. Ethical behavior is necessary for society to function in an orderly manner. The need for ethics in society is sufficiently important that many commonly held ethical values are incorporated into laws. However, a considerable portion of the ethical values of a society such as integrity, loyalty, and pursuit of excellence cannot be incorporated into law. By

establishing a code of ethics, a profession assumes self-discipline beyond the requirements of the law. (Rick Hayes et al. 1999:75)

Theory and researches, previously discussed, provide the basis for the research model used in this study. Code of ethics is something that ensures the public that auditors will maintain and improve the highest audit quality. Ethics is defined as frameworks for people's conduct that correlate to moral principles and assay to distinguish or discriminate right from wrong (Miesing and Preble, 1985). The emphasis of ethics should be on the determination of good and bad (Ferrell, Gresham, and Fraedrich, 1989), thus ethical optimism refers to the belief that if someone behaves ethically, success will be enjoyed. This study defines "ethical decision making" as the processes and rationales of auditors to choose the best decision from various alternatives after considering factors such as ethics, moral, good, virtue, and right dimension whenever confronted with dilemmas.

As auditors continue to play an important role in determining the success of financial report, auditors must understand the factor affecting auditing. The auditor should realize that since he/she is subjected to frequent ethical predicament his/her moral judgment is a crucial factor after becoming aware of the ethical problem. Hence, understanding the relationship between ethics and audit performance may be useful to auditing. Shaub et al.'s (1993) investigate to ethical sensitivity in auditors who take an individual differences approach and many researches define it as the ability to recognize the ethical nature of situation in a professional context.

The fundamental principles in professional conduct involve integrity, objectivity, competency, exercising due professional skills, and behaving with courtesy and consideration. (Foulks lynch: 2004). Members should behave with integrity in all professional, business and personal

financialrelationships. Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other. Auditors should not accept or perform work which they are not competent to undertake unless they obtain such advice and assistance as will enable themcompetently to carry out the work. Also they should carry out their professional work with due skill, care, diligence and courtesy. (Foulkslynch: 2004)

2.3 Auditors Rule of Professional Conduct

The ethical base of auditing has an ethical guide known as the rules of professional conduct. (Foulks lynch: 2004). The main areas of these rules are:

1. The fundamental principles;
2. Integrity, objectivity, and independence;
3. Confidentiality;
4. Changes in professional appointments;
5. Fees;
6. Ownership of books and papers;
7. Conflicts of interest.

The fundamental principles in professional conduct involve integrity objectivity, competency, exercising due professional skills, and behaving with courtesy and consideration. (Foulks lynch: 2004). Members should behave with integrity in all professional, business and personal financial relationships. Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other. Auditors should not accept or perform work which they are not competent to undertake unless they obtain such advice and assistance as will enable them competently to carry out the work. Also they should carry out their professional work with due skill, care, diligence and courtesy. (Foulks lynch: 2004)

In carrying their duty auditors should be independent of the client; such independence is in terms of fees, family relationship, and other interests. For instance, it is recognized that a dependence on income from a particular client or group of clients may impair objectivity. So that, a firm which derives most of its income from one client may find it difficult to make a stand on a particular issue, as a loss of that client would have a disastrous effect on the firm's financial position (Foulks lynch: 2004).

Auditors' working papers are their own property and any request for their production should be refused. However, if the taxation authority requests the production working papers relating to a particular client whose affairs are under investigation, auditors should ensure their response is in the best possible interests of the client. (Foulks lynch: 2004).

As per Arens and Loebbecke the AICPA code of professional conduct consists of general statements of ideal conduct or specific rules that define unacceptable behavior. (Arens and Loebbecke: 1991).

Thus, the code consist four parts; principles, rules of conduct, interpretations, and ethical rulings; which are listed in order of increasing specificity. (Arens and Loebbecke: 1991). The ethical principles are ideal standards of ethical conduct stated in philosophical terms but are not enforceable. These principles include that;

- members should exercise sensitive professional and moral judgments in all their activities;
- members should accept the obligation to act in a way that will serve the public interest; honor public trust, and demonstrate commitment to professionalism;

- members should perform all professional responsibilities with the highest sense of integrity;
- member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities;
- a member in public practice should be independent in fact and appearance when providing auditing and attestation services; and
- Member should observe the professional's technical and ethical standards or simply exercise due professional care.

The rules of conduct are minimum standards of ethical conduct stated as specific rules which are also enforceable. This part of the code includes the explicit rules that must be followed by every CPA in the practice of public accounting.

The need for published interpretations of the rules of conduct arises when there are frequent questions from practitioners about a particular rule, for this reason these parts are not enforceable. The ethical rulings, which are highly specific, are explanations by the executive committee of AICPA to questions about the rules of conduct.(Arens and Loebbecke: 1991).

Also Meigs, Whittigton, Pany, Megis and Lam pointed out that the rules of professional conduct of various provincial institutes consist of three parts;

- Fundamental principles; such as members responsibility to the public and the profession; integrity, due care, and competence; objectivity; and responsibilities to clients and colleagues,
- Applicable and enforceable rules of conduct, and

- Interpretations of rules of professional conduct. (Meigs, Whittigton, Pany, Megis and Lam: 1992).

Therefore, from many writers' explanations one can conclude that the rules of professional conduct adopted by public accountants in most countries are similar in principles but differ in their specification and enforceable by the profession.

2.4 Ethics in auditing

It has been argued that the auditing profession has been facing crisis of confidence and trust due to its failure to maintain public trust. The auditing profession has been forced to reform, which has implied improving the ethical reasoning of auditors in order to enhance public trust. (Abdolmohammadi et al., 2003).

It has been shown that unethical behavior of auditors can be attributed to a wide variety of pressures. Concerns of organizational and environmental pressures have focused in part on how audit professionals respond to inappropriate social influence pressure generated from within the accounting firm. There is evidence showing that auditors are prone to inappropriate social influence pressure from superiors and peers within the auditing firm. Auditors face many different pressures that probably affect their ability to take a stand in conflict situations. Auditors that are faced with an ethical dilemma by their colleagues must evaluate the potential short-term and long-term consequences of their actions from both an organizational and professional perspective and attempt to settle perceived trade-offs (Lord & DeZoort, 2001).

According to Artsberg (2005), the issue of auditors acting as consultants has led to criticism in media. This is because the auditing profession has become more like an industry than being a profession because of the consultancy services. Auditors consider that ethical codes of conduct

are the most important characteristics of a profession and among the ethical rules the independence is seen as the most important rule. Even if the auditors have succeeded to defend the need of consultancy closely related to auditing, the big auditing firms have developed departments that only offer consultancy services. Crane &Matten (2004) argue that today the consultancy market is dominated by the large auditing firms, which offer ethics consultancy along with other consultancy services.

In order to prevent future scandals the auditing profession has been heavily regulated. The auditing has changed greatly in recent decades, and these changes intensify the difficulties usually faced by legislators in weighing the costs and benefits of introducing new regulations. The regulations have been criticized and it has been stated that legislators should give the market time to develop. But instead of showing patience, it is argued that legislators are keen to use audit and financial crises as excuses to introduce additional regulation into an industry that is already over-regulated. The ability of the market to punish audit failures and the dynamism shown by the market in the Enron case confirm this. Soon after the Enron bankruptcy, not only did Andersen's partners and employees suffer heavy losses, but new policies were also adopted voluntarily by all kinds of players. Many companies replaced their auditors, while many auditing firms improved their internal controls, for instance by speeding up the rotation of their audit partners. It is argued that this voluntary adoption of measures by audit firms throws light on the natural process of searching for and adopting better solutions in a changing environment. The crises have helped participants in the industry know more about possible solutions and where to apply them (Arruñada, 2004).

2.5 Codes of ethics

The standards of a profession, such as the auditing profession, include both technical standards of competence and ethical standards. Ethical standards are often presented in a code of professional ethics that are aimed for both self-regulation and also the profession's commitment to the public. A code of ethics is not an option for a professional; rather it is required by the profession (Boatright, 1999). It is stated that a code of ethics is a crucial element in forming a profession and truly ethical professionals will keep their behavior well above the minimum requirements. Moreover, no code of conduct will be effective if members of a profession are personally of low character and lack integrity (Smith et al., 2005).

In practice, company codes of ethics have been developed and enforced by top management of businesses and the codes tend to be restricted to the shareholders. When excluding the views of the employees when creating the codes, it is likely that these people will feel little commitment to their company codes. Hence, company codes of conduct have been criticized for containing too much bias towards the interest of the top-management. Rather codes of ethics could provide a point of reference to encourage an environment in which ethical concerns may be dealt with in an open and sincere way. One limitation of company codes of ethics is that they tend to focus attention upon the misconduct of isolated individuals, and are not much concerned with how ethical problems arise in the first place. Ethical codes cannot capture the complexities involved in modern business life. This is obvious in the case of the recent corporate scandals, where it has been extremely difficult to blame any particular individuals (Davies, 1997).

Ethical codes can be adopted by companies to set out what they consider to be their social responsibilities, and to establish standards of good conduct for their employees. These codes may

have many advantages in terms of both public relations and creating an environment in which the ethical concerns of employees can be raised openly. Codes of ethics can be thoroughly developed and implemented in the best way but may still be inapplicable to ethical concerns in business. First, codes might be useless to individual employees facing their own particular dilemmas. Second, codes cannot be used to address the deeper social currents that give rise to many of the moral problems in business (Davies, 1997).

The Sarbanes-Oxley Act in 2002 was a major step towards regulating the auditing profession. In 2004, the European Commission proposed a revised directive on audit in the European Union (EU) to fight and prevent corporate scandals and auditors' unethical behavior. This directive contains new rules on how member states in the EU regulate auditors and how they should allow auditors to conduct their business. First, it requires that each country develop an independent body to control the audit profession. Second, audit firms should be regulated by authorities in the countries where they are established. Third, auditors will be banned from being involved in management decisions taken by client companies, and all companies listed on the stock market would have to establish independent audit committees, which would recommend an auditor for shareholder approval. Finally, member state would have to introduce a rule for the rotation of audit firms every seven years or, alternatively, the rotation of audit partners every five years (Arruñada, 2004).

2.6 Ethical reasoning in decision-making

According to Baron (2000) a decision is defined as a choice of action of what to do or not to do. These decisions are made to be able to achieve goals and they are based upon beliefs about what actions will achieve goals. Ethical reasoning is important for decision-making since most of the

decisions involve ethical dilemmas. The ethical beliefs of an individual are taught in an early age and therefore it becomes one of the most essential beliefs. Morality implies telling each other what people should do or try to influence other individuals' decision-making.

An individual can use various criteria in the ethical decision-making. The utilitarian criterion concerns decisions that are made only on the foundation of the outcomes or consequences. The utilitarian criterion is the view that tends to dominate the decision-making in businesses. Another criterion is the focus on rights, which implies individuals to make decisions that are consistent with independence. Rights in decision-making implies respecting and protecting the fundamental rights of individuals. This criterion is supposed to protect whistle-blowers that are individuals who report and disclose unethical behavior within the organization by their employer to outsiders. This criterion is aiming at protecting individuals from injury and is consistent with privacy and freedom. Finally, the focus on justice that requires individuals to impose and enforce rules fairly and objectively so that there is an equitable distribution of benefits and costs (Robbins, 2003).

According to Robbins (2003), people constantly face ethical dilemmas and due to that it has never been clearly defined what good ethical behavior really is. Therefore, many problems and difficulties arise as a consequence. There has been a lot of criticism towards the use of utilitarianism and it has been argued that it needs to be changed. It is the increasing concern about individual rights in society as well as in businesses, which is the main reason for developing ethical standards that are based on non-utilitarian criteria. Individuals in organizations are increasingly finding themselves facing ethical dilemmas where they are required to define what is right and wrong behavior. It has been argued that in order to be able to increase ethics in businesses around the world, there is a need for identifying and developing

common ethics regulations. This is because some ethical dilemmas in one country might not be seen as ethical dilemmas in another country and this is due to that there exist no global ethical standards.

According to Simnett (1996) the level of experience of the decision-maker has an influence on the accuracy of the decision-making. The advantage in having experience is that the auditor knows what information to look for and due to a greater knowledge the auditor can organize the relevant information so that it can effectively used. A general belief is that experienced auditors have more knowledge than inexperienced auditors. This is because experienced auditors have had a longer previous training and gained knowledge of how to perform a task and make accurate decisions. Even though it has been found that experience is an advantage there is no evidence that experience necessarily has a positive effect when it comes to the information processing.

It has been argued that the higher the level of ethical reasoning among auditors implies a lower likelihood that auditors would act unethical. A high level of ethical reasoning is also associated with a more independent behavior among auditors (Tsui, 1996). Individual influences on ethical decision-making relate to the features of the individual who is actually going through the decision-making process. Individual factors can account for why some individuals are more influenced than others to act in an unethical way because of the influence of the colleagues. The individual factors are age and gender, national and cultural characteristics, education and employment, psychological factors, such as cognitive moral development (Crane & Matten, 2004). The accounting literature that involves ethical reasoning is dominated by Kohlberg's stage model of moral development (Abdolmohammadi et al., 2003).

2.7 The Purpose of Professional Code of Ethics

According to the manual of ANRS OAG code of ethics, *professional code of ethics applicable to auditors* (2010), professional code of ethics refers to a comprehensive statement of values and principles that guide the daily work of auditors. It also refers to a set of moral principles that govern or influence a person's behavior. In addition to being a guide for daily activities and governing the behaviors of the audit staff, having a comprehensive set of values and principles in the public sector audit helps to achieve the following objectives:

❖ **To build public trust and respect**

The conduct of auditors should be beyond reproach at all times and in all circumstances. Any deficiency in their professional conduct or any improper conduct in their personal life places the integrity of auditors, the office that they represent, and the quality and validity of their audit work in an unfavorable light, and may raise doubts about the reliability and competence of the office itself. Furthermore, the legislative and/or executive authority, the general public and the audited entities are entitled to expect the office's conduct and approach to be above suspicion and reproach and worth of respect and trust. Therefore, the adoption and application of a code of ethics for auditors in the public sector help to promote trust and confidence in the auditors and their work.

❖ **To build confidence and trust among auditors themselves**

Auditors should conduct themselves in a manner which promotes co-operation and good relations between auditors and within the profession. The support of the profession by its members and their co-operation with one another are essential elements of professional character. The public confidence and respect, which an auditor enjoys, is largely the result of the cumulative accomplishments of all auditors, past and present. It is therefore in the

interest of auditors, as well as that of the general public, that the auditor deals with fellow auditors in a fair and balanced way. These expectations from the public when reinforced by a strong code of ethics boost the self-confidence of the individual auditor and increases mutual trust among themselves.

❖ **To gain high creditability**

a) The legislative and/or executive authority, the general public and the audited entities, want to be fully assured of the fairness and impartiality of all the audit office's work;

In all parts of society there is a strong desire for credibility. Therefore, it is essential that the reports and opinions of the office are considered to be thoroughly accurate and reliable by knowledgeable third parties.

b) All works performed by the office must stand the test of legislative and/or executive authority scrutiny, public judgments on propriety, and examination against a national code of ethics.

❖ **Helps to acquaint auditors with the underlying values and principles of the profession.**

❖ **Serve as a necessary complement reinforcing the general auditing standards of the office and perhaps of the code of Ethics applicable to all employees of OAG.**

2.8 Fundamental principles of auditor's ethics

According to the manual of ANRS OAG code of ethics, *professional code of ethics applicable to auditors* (2010), in order to achieve the above objectives auditors have to observe certain fundamental principles. Thus the ethical requirement of OAG is based upon the following fundamental principles by which auditors should be governed in the conduct of their professional work and relationships with each other and with that of the auditee.

❖ **Integrity (Propriety)**

Auditors should maintain a high standard of professional and personal conduct in performing their audit work and in their relationship with staff of audited bodies.

❖ **Independence**

Auditors should be independent of the audited body and carrying out his audit in an independent attitude.

❖ **Objectivity/Impartiality**

Auditors must be fair and must not allow prejudice or bias to override their objectivity. They should carry out their work impartially and objectively.

❖ **Professional Competence/Professional development**

An auditor has a duty to maintain high level of competence throughout his/her professional career. He/she should only undertake work which he/she or the office can expect to complete with professional competence.

❖ **Confidentiality**

Auditors should respect the confidentiality of information acquired in the course of their work and should not disclose any such information to a third party without specific authority, unless there is a legality on professional duty to disclose.

❖ **Political Neutrality**

To maintain both the actual and perceived political neutrality of the office, and to maintain their independence from political influence and discharge their duties in an impartial way the Auditor General, Deputy Auditor General, executive officers and all auditors should not be involved in a partisan politics.

❖ **Conflict of Interest**

Conflict of interest involving an auditor and an audited organization must always be avoided.

❖ **Reasonable Care**

Auditors should take all **reasonable care** in planning and carrying out their audit work in gathering and evaluating evidence and in reporting audit findings.

❖ **Constructiveness**

Auditors should adopt a constructive and positive approach to their work and relationships.

❖ **Economy, Efficiency and Effectiveness of Operation**

Auditors should seek to improve the economy, efficiency and effectiveness with which the office uses its own resources in carrying out its work.

As per the United states GAAS, the 1972 Statements on Auditing Standards No 1 (SAS-1) issued by AICPA, the auditors' professional responsibilities are based on three broad standards (Arens and Loebbccke: 1991) No.1). These are:

1. General standards:

- The examinations are to be performed by a person or group of persons having adequate technical training and proficiency as an auditor.
- In all matters relating to the assignment, independence in mental attitude is to be maintained by the auditors (s).
- Due professional care is to be exercised in the performance of the examination and the preparation of the report.

2. Standards of field work:

- The work is to be adequately planned and assistants, if any, are to be properly supervised.
- There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.
- Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination.

3. Standards of reporting:

- The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles.
- The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.
- Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
- The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reason therefore should be stated. In all cases where an auditors' name is associated with financial statements, thereport should contain a clear cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

Auditors should report to the users of the audit report to the extent that in their opinion, the “true and fair view” or “fair presentation”, is affected. (Foulkslynch, ACCA paper 3.1: 2004).

Therefore, from the above writers' discussion it is wise to summarize that management of an entity is responsible for the efficient, economic and effective utilization of entity's resources. Besides it is the responsibility of the management preparing financial statement for easy verification. On the other hand, it is the responsibility of auditors to form an independent opinion based on audit examination and to report the findings to the users of audited financial statements. Accordingly, auditor should base on standards or principles formulated by the professional and /or regulatory body to which they are members or by which they have been regulated.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The study employed quantitative research method. More specifically descriptive survey method was used. The data was collected by questionnaires from auditors of ANRS OAG. After the required data was collected, it was processed, and analyzed by using Statistical Package for the Social Sciences, (SPSS).

3.2 Source and Method of data Collection

Primary data and secondary information were collected from both primary and secondary sources. Primary data was obtained from target population, i.e., the respondents which are current working in ANRS office of Auditor General. Different related literatures including books, previous research works and articles were used to complement secondary information. As primary source, data was gathered using a standard questionnaire (Kovaas, 2006) that includes general questions (gender, income, status of employment, age and level of education) and professional questions.

3.3 Population and Sampling Technique

3.3.1 Study Area and Population

The study was conducted in Amhara National regional State Office of the Auditor General. The ANRS OAG have seven business processes that is Procurement & Finance Business process, the audit core business process, internal audit supportive business process, Human Resource Development supportive Business process, Public relation core business process, training & certification core business process & information communication technology (ICT) supportive

business process. Among the seven business processes this study focused on the audit core business process. Thus, the total population of the study was 154 of which 13 were supervisors and above and the rest 141 were auditors.

3.3.2 Sampling Method

The sampling method that was employed in this study was simple random sampling. That is those auditors who were performing their duties at the time of the study were selected randomly. This was because the duties and responsibilities of the target population are similar. The population of the study was all auditors who are currently working in Amhara National Regional State Office of Auditor General.

3.2.3 Sample size

The sample size of the study was determined using the formula adopted from Krejcie and Morgan's (1970, as cited in Amin, 2005). Thus, the formula used to calculate the sample size is

$$n = \frac{N}{(1 + N(e)^2)}$$

Where: N= is the total population

n= is the sample from the population

e= is the error term, which is 5% (i.e. at 95% confidence interval)

Using the above formula the sample size of the study was determined as

$$n = 154 / (1 + 154(5\%)^2) = \underline{\underline{111}}$$

3.4 Method of Data Analysis

The data was analyzed both quantitatively and qualitatively. The data gathered from questionnaire was analyzed quantitatively by using SPSS through descriptive statistics such as graph and percentage. The processes of some of the analysis are Logging the data in/Recording/, checking the data for accuracy/editing/, Coding the data, Classification, Tabulation, and Graphic presentation. Then the researcher made conclusions and recommendations based on analysis results.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

The major objective of this study is to assess the perception of auditors in adherence of professional ethics and the extent to which auditors of Amhara National Regional State Office of Auditor General exercise their professional ethics in their work. Thus, the study attempted to assess the perception of auditors in adherence of the professional ethics of the auditors of ANRS OAG based on internationally accepted Code of Ethical Principles and ANRS OAG Rules of Conduct. The ANRS OAG have seven business processes that is Procurement & Finance Business process, the audit core business process, internal audit supportive business process, Human Resource Development supportive Business process, Public relation core business process, training & certification core business process & information communication technology (ICT) supportive business process. Among the seven business processes this study focused on the audit core business process. Thus, the total population of the study was 154 of which 13 supervisors and above and 141 auditors.

For the fulfillment of the objective of the study, the researcher has randomly sampled 111 auditors in order to respond the research questionnaire. However, only 98 auditors' successfully answered the questionnaire. The personal data of the auditors (respondents) is presented in the table below.

4.1. Demographic Characteristics of Respondents

Table 1: Personal Information of Sample Respondents

Variables	N	Percent
Sex		
Male	83	84.7
Female	15	15.3
Total	98	100

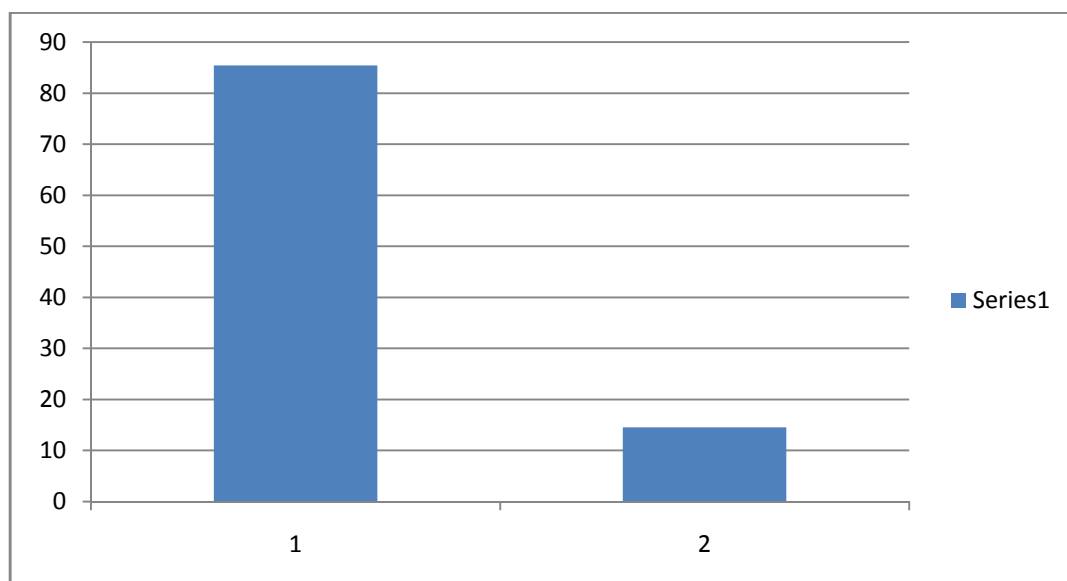
Age		
<25 year	33	33.7
25-35 year	52	53.1
36-50 year	13	13.2
>50 year	0	0
Total	98	100
Level of Education		
Diploma	0	0
Bachelor Degree	90	91.8
Masters Degree	8	8.2
Others	0	0
Total	98	100
Field of Study		
Auditing	0	0
Accounting	71	72.4
Management	18	18.4
Economics	9	9.2
Others	0	0
Total	98	100
Year of Work Experience		
<5 year	18	18.4
5-10 years	58	59.2
>10 years	22	22.4
Others	0	0
Total	98	100

As observed from the responses obtained the majority of the respondents are male, 84.7%, and the remaining 15.3% are females. 53.1% of the respondents are in the age range of 25-35 and only 13.2% the respondents are in the age category of 36-50. Majority of the respondents

(91.8%) hold B.A/B.Sc while 8.2% of the auditors hold masters degree. Of the total respondent auditors the majorities (72.4) are accountants followed by respondents trained in management (18.4%). Most of the respondents (81.6%) have more than 5 years work experiences. Hence the educational and other demographic profiles of respondents like experiences and age of auditors are good opportunities of the office to accomplish its intended tasks.

4.2 Responses from Auditor's concerning as to what Extent Auditors of Amhara National Regional State Office of Auditor General Exercise their professional ethics in their work

As shown in figure one below of the total auditor respondents majority of the auditors 85.47% agreed that auditors of Amhara National Regional State Office of Auditor General Exercised their professional ethics in their work while the remaining 14.53% of the respondents disagreed for the total 20 items administered the issue under investigation. Although it is not completely satisfactory this result might be educational qualification of employees in the office.



85.47

14.53

4.2.1. Integrity (Propriety)

Auditors should maintain a high standard of professional and personal conduct in performing their audit work and in their relationship with staff of audited bodies. Regarding the issue of integrity auditors responses are presented as follows.

Table 2: Auditors Responses about the Issue of Integrity

Item	Yes		No	
	N	Percent	N	Percent
Do training programs are designed and implemented to improve auditor's behavior towards ethics?	33	33.7	65	66.3
Are all the auditors of the organization attend in trainings that improve ethical behaviors?	89	90.8	9	9.2
Do you think that sufficient trainings are given to newly joined staffs with respect to ethics?	92	93.9	6	6.1

As shown in table 2 most of the auditors agreed 65(66.3%) that there are no training programs that are designed and implemented by their office to improve ethical behavior of auditors. Although the training programs are not enough most respondents revealed 89 (90.8%) that all the auditors of the organization attended when there are trainings that are designed to improve ethical behaviors of auditors. On the other hand majority of the respondents agreed 92(93.9%) that sufficient trainings are given to newly joined staffs with respect to ethics. From this result there is no sufficient on-the-job training in the office regarding ethics of auditors.

4.2.2. Independence

The survey was conducted in order to assess the auditor's independence in exercising professional ethics. Thus, in all matters relating to the audit work, the individual auditors should have an adequate degree of independence from the legislature and should be free from executive and audited entity and should maintain an independent attitude in fact and appearance. The survey result concerning to independence is as follows:

Table 3: Response on auditor's independence

Items	Yes		No	
	N	Percent	N	Percent
When conducting an audit, do you think that all auditors are independent from the auditee in all aspects?	70	71.4	28	28.6
Are auditors of the office avoid all relationships with managers and staff in the audit entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently?	92	93.9	6	6.1
Are all auditors of the office have protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence and integrity?	90	91.8	8	8.2

As shown above, 70 (71.4%) of the auditors responded that auditors of Amhara National Regional State Office of Auditor General were independent in all aspects from the influence of audit organization in relation to the audit work. However, a considerable number 28 (28.6%) confirmed that government auditors were not independent. Similarly most of the respondents 92(93.9%) agreed that auditors of the office did not have any relationships with managers and staff in the audit entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently. More over majority of auditor respondents 90 (91.8%) agreed that Auditors of Amhara National Regional State Office of Auditor General protected their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence & integrity. From the above over all analysis of the data the researcher concluded that although it is said that auditors of the ANRS OAG were independent in their audit work there could an occasion where the ANRS OAG auditors by force or interest can violate the principle of auditor's independence in conducting an audit work. Moreover, it is wise to conclude from the above mentioned article that as a result of tendering/bidding nature the auditors' independence could be compromised.

4.2.3. Objectivity/Impartiality

Auditors must be fair and must not allow prejudice or bias to override their objectivity. They should carry out their work impartially and objectively. Concerning the principle of impartiality auditors responses are presented in table 4 below.

Table 4: Response on auditor's impartiality:

Item	Yes		No	
	N	Percent	N	Percent
Do All auditors of the office have conduct themselves in a professional manner at all times and apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality?	72	73.5	26	26.5
Total	98		100	

As it is depicted in table 4 above most auditors 72 (73.5%) of the ANRS OAG were impartial and conducted their audit works in a professional manner at all times and apply high professional standards to enable them to perform their duties competently. However, a considerable number 26 (26.5%) confirmed that government auditors were not perform their duties competently and with impartiality.

4.2.4 Competence

The audit organization needs to command the range of skills and experience necessary for effective discharge of the audit mandate. Whatever the nature of the audit to be undertaken under that mandate, persons whose education and experience is commensurate with the nature, scope and complexities of the audit task should carry out the audit work. The survey result is shown in this regard as follows:

Table 5: Auditors response on auditor's competence:

Items	Yes		No	
	N	Percent	N	Percent
Is there a moment you faced that your auditor is not professionally trained and competent?	16	16.3	82	83.7
Are auditors know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices?	74	75.5	24	24.5
Is there any complain from auditees due to the work of incompetent auditors?	16	16.3	82	83.7

As depicted in table 5, 82 (83.7%) of the respondents showed that auditors were professionally skilled, trained and competent in order to carry out their professional ethics and responsibilities. 16 (16.3%) of the respondents, however, claimed that some times less qualified and incompetent field auditors were coming to their organization. Result of the same table also showed that most auditors 74(75.5%)followed applicable auditing, accounting, and financial management standards, policies, procedures and practices in their audit work. However, a considerable number 24 (24.5%) confirmed that auditors do not know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices. Furthermore, many of auditor respondents 82(83.7%) agreed that there were no complaints from auditees due to the work of incompetent auditors. Thus, the data implied that most ANRS OAG auditors were professionally trained and competent.

4.2.5 Audit Work Plan and Supervision

The auditor should plan the audit work in a manner which ensures that an audit of high quality is carried out in on time, an economic, efficient and effective way. On top of this, proper supervision and control is therefore necessary in all cases regardless of the competence of individual auditors as is shown in the table below:

Table 6: Auditors response on audit work plan and field work supervision:

Item	Yes		No	
	N	Percent	N	Percent
Do you think that all auditors are adequately planning and frequently supervising the work of field auditors?	87	88.8	11	11.2
Total	98		100	

The majority of the respondents 87 (88.8%) agreed that ANRS OAG auditors properly planned their work and the senior auditors frequently supervise field auditors. Hence, the analysis of the overall data shows that ANRS OAG auditors adequately planed their audit work and frequently supervised the work of field auditors.

4.2.6. Due Professional Care

The student researcher also tried to identify whether the auditor exercise due professional care or not. Thus, the auditor and the audit organization must exercise due care and concern in complying with the auditing standards. This embraces due care in specifying, gathering and

evaluating evidence, and in reporting findings, conclusions and recommendations. In this regard the survey result showed the following:

Table 7: Auditors response on auditor's due professional care exercise:

Item	Yes		No	
	N	Percent	N	Percent
Is auditors exercise due professional care in conducting and supervising audits and in preparing related reports?	92	93.9	6	6.1
Do auditors of the office use methods and practices of the highest possible quality in their audit?	64	65.3	34	34.7

Accordingly, as shown in table 7 above majority of auditors of ANRS OAG 92(93.9%) agreed that auditors were exercising of due professional care in conducting and supervising audits and in preparing related reports. On the other hand most of the respondents 64(65.3%) responded that auditors of the office used methods and practices of the highest possible quality in their audit. However, considerable number of auditor respondents 34(34.7%) revealed that auditors of the office did not use methods and practices of the highest possible quality in their audit.

4.2.7 Evidence

The researcher also administers question in order to obtain data to identify how the auditors obtain sufficient evidential matters in order to express an opinion. Accordingly, the majority of the respondents 93(94.9%) responded that, the works of auditors are based on accurate and objective facts of evidences. On the other hand most of the auditor respondents 92 (93.9) responded that, conclusions in opinions and reports were based exclusively on sufficient,

appropriate and relevant audit evidence obtained and assembled in accordance with the auditing standards of the office.

Table 8: Auditors response on auditor's ways of gathering evidence:

Item	Yes		No	
	N	Percent	N	Percent
Is the works of auditors are based on accurate and objective facts of evidences?	93	94.9	5	5.1
Do conclusions in opinions and reports are based exclusively on sufficient, appropriate and relevant audit evidence obtained and assembled in accordance with the auditing standards of the office?	92	93.9	6	6.1

The researcher concludes from the above result that auditors of ANRS OAG were properly planning and performing the audit so as to obtain sufficient evidence to give reasonable assurance that the financial statements of the client are free from material misstatements.

4.2.8. Responses of the Audit Organization with Regard to Auditor's rules of Professional Ethics

Advertising and solicitation should be aimed at informing the public in an objective manner and should be decent, honest, truthful, and in good taste. Solicitation by the use of coercion or harassment should be prohibited. Supporting the above Jack C. Robertson (1990) argued that professional ethics for accountants is not simply a matter covered by a few rules in a formal code of professional conduct. Concepts of [proper professional conduct permeate all areas of practice.

Ethics and its accompanying disciplinary potential are the foundation for public accountants self regulatory efforts (Jack C. Robertson: 1990). The survey result in this regard showed the following:

Table 9: Responses of the Auditors with Regard to Auditor's rules of Professional Ethics

Item	Yes		No	
	N	Percent	N	Percent
Are all auditors of the office have perceived the fundamental principles of auditor's ethics?	91	92.9	7	7.1
Is there any complain from auditees due to unethical conduct of auditors in obeying the code of ethics?	4	4.1	94	95.9
Is there an office that is re-audited due to auditor's ethical problems?	2	2.0	96	98

As shown in table 9 most of the auditors 91(92.9%) responded that auditors of ANRS OAG applied the fundamental principles of auditor's ethics in their audit work. Similarly, majority of auditor respondents 94(95.9%) agreed that there were no any complain from auditees due to unethical conduct of auditors in obeying the code of ethics in performing there work. Result of the same table also indicated, majority of respondents 96 (98%) confirmed that, there was no office that was re-audited so far due to auditor's ethical problems. From these results it is possible to conclude that auditors of ANRS OAG are ethical and applied the fundamental principles of auditor's ethics in their audit work.

4.2.9. Confidentiality

Auditors should respect the confidentiality of information acquired in the course of their work and should not disclose any such information to a third party without specific authority, unless there is a legality on professional duty to disclose. Regarding confidentiality of auditors of ANRS OAG the result is presented in the table below.

Table 10: Responses of the Auditors about Confidentiality

Item	Yes		No	
	N	Percent	N	Percent
Is auditors respect the confidentiality of information obtained in the course of their audit work?	82	83.7	16	16.3
Total	98			100

As shown in table 10above response of majority of the auditors 82(83.7%) revealed that auditors of ANRS OAG respected the confidentiality of information obtained in the course of their audit work. However, some auditors 16(16.3%) confirmed that auditors did not respect the confidentiality of information acquired in the course of their work.

4.2.10. Conflict of Interest

Conflict of interest involving an auditor and an audited organization must always be avoided. Regarding conflict of interest result is presented in table 12 below.

Table 11: Responses of the Auditors about Conflict of Interest

Item	Yes		No	
	N	Percent	N	Percent
Are auditors of the office actively seeking employment with an audit entity that they are auditing?	22	22.4	76	77.6
Total	98			100

As shown in table 11 above the majority of the respondents 76 (77.6%) agreed that auditors of the office were not actively seeking employment with an entity that they are auditing. However, considerable number of auditor respondents 22 (22.4%) revealed that auditors of the office actively seeking employment with an audit entity that they are auditing. From these results even if most of the auditors are not seeking employment with an audit entity that they are auditing, but there is occasions which may affect auditor's conflict of interest.

CHAPTER FIVE: MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Major Findings and Conclusions

As it has been dealt with in this research, auditing fundamental professional ethical codes provide minimum guidance for the auditor that helps to determine the extent of auditing steps and procedures that should be applied in the audit work. However, there have been circumstances when auditors are violating auditing fundamental professional ethical codes. Therefore on the basis of the analysis of the data the following major findings were obtained:

The result of the study revealed that auditors of ANRS OAG were performing their work in line with the principle of integrity which is clearly stated as one of professional code of ethics of auditors in the manual of ANRS OAG (2010). This is because as shown in table 2 most of the auditors agreed 65 (66.3%) that there are no training programs that are designed and implemented by their office to improve ethical behavior of auditors. Although the training programs are not enough most respondents revealed 89 (90.8%) that all the auditors of the organization attended when there are trainings that are designed to improve ethical behaviors of auditors. On the other hand majority of the respondents agreed 92 (93.9%) that sufficient trainings are given to newly joined staffs with respect to ethics. From this result there is no sufficient on-the-job training in the office regarding ethics of auditors. So it is unable to say that, most auditors of ANRS OAG were performing their work in line with the principle of integrity which is clearly stated as one of professional code of ethics of auditors in the manual of ANRS OAG (2010).

The result of the study showed that auditors of ANRS OAG were accomplishing their audit work based on the principle of independence. As survey result revealed 70 (71.4%) of the auditors

responded that auditors of Amhara National Regional State Office of Auditor General were independent in all aspects from the influence of audit organization in relation to the audit work. However, a considerable number 28 (28.6%) confirmed that government auditors were not independent. Similarly most of the respondents 92(93.9%) agreed that auditors of the office did not have any relationships with managers and staff in the audit entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently. More over majority of auditor respondents 90 (91.8%) agreed that Auditors of Amhara National Regional State Office of Auditor General protected their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence & integrity. From these results although most of auditors were independent, it can be concluded that auditors of Amhara National Regional State Office of Auditor General were somehow independent in relation to the audit work.

Another finding of the study showed that most auditors 72 (73.5%) of the ANRS OAG were impartial and conducted their audit works in a professional manner at all times and apply high professional standards to enable them to perform their duties competently. However, a considerable number 26 (26.5%) confirmed that government auditors were not perform their duties competently and with impartiality. From these results although a considerable number of auditors are not enable them to perform their duties competently and with impartiality, but most of them conduct them in a professional manner at all times and apply high professional standards.

According to the finding of the study although there was gap among individual auditors, most ANRS OAG auditors were professionally trained and competent. This is because 82 (83.7%) of the respondents agreed that auditors were professionally skilled, trained and competent in order

to carry out their professional ethics and responsibilities. 16 (16.3%) of the respondents, however, claimed that some times less qualified and incompetent field auditors were coming to their organization. Result of the same table also showed that most auditors 74(75.5%) followed applicable auditing, accounting, and financial management standards, policies, procedures and practices in their audit work. However, a considerable number 24 (24.5%) confirmed that auditors do not know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices. Furthermore, many of auditor respondents 82(83.7%) agreed that there were no complaints from auditees due to the work of incompetent auditors.

The analysis of the overall data on planning and supervision found that ANRS OAG auditors adequately planed their audit work and frequently supervised the work of field auditors. This is because the majority of the respondents 87 (88.8%) agreed that ANRS OAG auditors properly planned their work and the senior auditors frequently supervise field auditors.

The study also tried to identify whether the auditor exercise due professional care or not. Accordingly, majority of auditors of ANRS OAG 92(93.9%) agreed that auditors were exercising of due professional care in conducting and supervising audits and in preparing related reports. On the other hand most of the respondents 64(65.3%) responded that auditors of the office used methods and practices of the highest possible quality in their audit. However, considerable number of auditor respondents 34(34.7%) revealed that auditors of the office did not use methods and practices of the highest possible quality in their audit. From these results it can be concluded that although not at the expected level auditors of ANRS OAG exercised due professional care in their audit work.

The research result also showed that auditors of the office usually used sufficient evidential matters in order to express an opinion. According to the majority of the respondents 93(94.9%) responded that, the works of auditors are based on accurate and objective facts of evidences. On the other hand most of the auditor respondents 92 (93.9) responded that, conclusions in opinions and reports were based exclusively on sufficient, appropriate and relevant audit evidence obtained and assembled in accordance with the auditing standards of the office.

Regarding proper application the fundamental principles of auditor's ethics the research finding confirmed most of the auditors 91 (92.9%) responded that auditors of ANRS OAG applied the fundamental principles of auditor's ethics in their audit work. Similarly, the survey result revealed majority of auditor respondents 94 (95.9%) agreed that, except for some occasions there were no any complain from auditees due to unethical conduct of auditors in obeying the code of ethics in performing their work. Result of the same issue indicated, majority of respondents 96 (98%) confirmed that, there was no office that was re-audited so far due to auditor's ethical problems. From these results it is possible to conclude that auditors of ANRS OAG are ethical and applied the fundamental principles of auditor's ethics in their audit work.

The result of the study concerning confidentiality of the auditor's revealed majority of the auditors 82 (83.7%) revealed that auditors of ANRS OAG respected the confidentiality of information obtained in the course of their audit work. However, some auditors 16(16.3%) confirmed that auditors did not respect the confidentiality of information acquired in the course of their work.

Lastly the finding of the study showed that majority of the respondents 76 (77.6%) believed that auditors of the office were not actively seeking employment with an audit entity that they are

auditing. However, considerable number of auditor respondents 22 (22.4%) revealed that auditors of the office actively seeking employment with an audit entity that they are auditing. From these results even if most of the auditors are not seeking employment with an audit entity that they are auditing, but there is occasions which may affect auditor's conflict of interest.

5.2 Recommendations

The following possible recommendations may be used in order to help auditors in exercising their professional ethics and legal responsibilities, and in providing decision makers with relevant audit report.

- ✓ As much as possible the audit organization should employ professional accountant or train the existing staff about codes of ethics in order to make the audit work based on the fundamental principles of auditors professional codes of ethics.
- ✓ ANRS OAG office should design and implement mechanisms that encourage auditors to perform their audit work independently and to apply methods and practices of the highest possible quality in their audit work.
- ✓ Auditors of Amhara National Regional State Office of Auditor General should assign field auditors who are professionally competent and also aware of the development of their profession.
- ✓ Auditors of Amhara National Regional State Office of Auditor General should exercise due professional care at the expected level to execute their audit work competently.
- ✓ ANRS OAG should acknowledge in different ways those auditors who perform their audit work ethically and competently to serve as models for other auditors.

- ✓ ANRS OAG should take appropriate measures those auditors who perform their audit work by violating the professional ethics of auditors.
- ✓ Amhara National Regional State Office of Auditor General should arrange incentive programs to diminish conflict of interest.

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APPENDIX

Contact Addresses:

Name: **Tewelde Tsegaye**

Program: **Accounting & Finance summer (special)**

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E-mail address: [-ttewe21@gmail.com](mailto:ttewe21@gmail.com) or ttewe20@yahoo.com

University Of Gondar

College of Business and Economics

Department of Accounting and Finance

This questionnaire is for master's thesis entitled "Auditors' Perception in Adherence of Professional Ethics: a case of Amhara National Regional State Office of Auditor General." The information you provide will be valuable for the success of the research project. Please, be honest and objective while filling the questionnaire. Hereby I assure you that all information obtained through this questionnaire should be used for academic purpose only and will be kept and store with the highest level of confidentiality.

N.B: Please do not write your name anywhere in the questionnaire.

I. Respondents Profile

Instruction: Please, choose and circle your Answer

1. Sex: a) Male b) Female
2. Age: a) less than 25 year b) from 25 – 35 years c) from 36 – 50 years d) greater than 50 years
3. Level of Education:
a) Diploma b) Bachelor degree c) Master's degree d) Others (specify) _____
4. Your field of study:
a) Auditing b) Accounting c) Management d) Economics e) Others (specify) _____
5. Number of years' Experience as an Auditor:
a) Less than five years b) Five to ten years c) More than ten years d) Others (specify)

II. Institutional Data

Please indicate your response with each statement by marking () on the space (columns) that specifies your choice from the options.

No.	Statements	Yes	No
1	Are all auditors of the office have perceived the fundamental principles of auditor's ethics?		
2	Is the works of auditors are based on accurate and objective facts of evidences?		
3	Do conclusions in opinions and reports are based exclusively on sufficient, appropriate and relevant audit evidence obtained and assembled in accordance with the auditing standards of the office?		
4	Are all auditors of the office have protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence & integrity?		
5	Are auditors of the office avoid all relationships with managers and staff in the audit entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently?		
6	Are auditors of the office actively seeking employment with an audit are auditing?		
7	Is auditors respect the confidentiality of information obtained in the course of their audit work?		
8	Do All auditors of the office have conduct themselves in a professional manner at all times and apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality?		
9	Are auditors know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices?		

10	Is auditors exercise due professional care in conducting and supervising audits and in preparing related reports?		
11	Do auditors of the office use methods and practices of the highest possible quality in their audit?		
12	Do training programs are designed and implemented to improve auditor's behavior towards ethics?		
13	Are all the auditors of the organization attend in trainings that improve ethical behaviors?		
14	Do you think that sufficient trainings are given to newly joined staffs with respect to ethics?		
15	When conducting an audit, do you think that all auditors are independent from the auditee in all aspects?		
16	Is there a moment you faced that your auditor is not professionally trained and competent?		
17	Do you think that all auditors are adequately planning and frequently supervising the work of field auditors?		
18	Is there any complain from auditees due to unethical conduct of auditors in obeying the code of ethics?		
19	Is there an office that is re-audited due to auditor's ethical problems?		
20	Is there any complain from auditees due to the work of incompetent auditors?		

“THANK YOU”